




## STATE OF WASHINGTON

August 1, 2005

**TO:** Agency Directors

**FROM:** Linda Villegas Bremer, Director   
Department of General Administration

Victor Moore, Director   
Office of Financial Management

**SUBJECT: STRATEGIC PURCHASING STRATEGY (SMARTBUY)**

As agency budget officers have been informed, Section 720 of the 2005-07 Operating Budget (ESSB 6090) reflects a budget savings goal of \$50 million for implementation of strategic purchasing strategies. This reduction is assumed in statewide budget numbers, without any assignment to individual agency budgets. Accordingly, it does not show up in the expenditure authority numbers agencies are using for initial allotments.

The Department of General Administration (GA), the Department of Information Services (DIS), and the State Printer are completing their assessment of agency purchasing patterns and developing SmartBuy tools that agencies can use to realize cost reductions. *The savings created by these new purchasing strategies should not be spent in other areas of the budget.* For planning purposes, savings from these efforts should be set aside until you know how much of the statewide reduction target will be expected from your agency.

Budget language requires an analysis of individual agency savings by October 1. Agency information on baseline costs, dollar volumes, and forecasted purchases for goods and services will be used to calculate these estimates. Office of Financial Management (OFM) staff will then work with agencies to incorporate the appropriate reduction amounts into the Governor's 2006 Supplemental Budget recommendation. It is legislative intent that the budget reductions represent actual cost reductions and not affect direct services.

Although the SmartBuying Partnership is already getting results from some of the team's initial efforts, a number of newer initiatives also are being developed. These strategies should result in lower costs to the agencies making these types of purchases.

The following table identifies the activities already in place:

SmartBuying Partnership Activity	Implementation Date	Fiscal Impact (Average % Savings)
Negotiate lower prices for Microsoft desktop software	July 1, 2005	1 – 3 % per license lower price
Negotiate better personal computer prices for standard equipment	July 1, 2005	2 – 15 % per PC purchased
Negotiate better Cisco contract for telecom equipment	August 2005	2 % on all purchases
State Printer has reduced prices for color copies	Effective July 1, 2005	20 – 25 % reduction
State Printer has reduced prices for envelopes	Effective July 1, 2005	8 – 12 % reduction
Office of State Procurement, Purchasing Card contract includes higher cash rebates	Effective June 1, 2005	Up to .94 %
The SmartBuying initiative for warehouse consolidation and office space leases may affect your agency (lower rates or elimination of space)	Daily	Check as new leases are completed

Regular updates on the SmartBuying Partnership, including which agencies are participating, can be found on the SmartBuying web site: <http://smartbuying.wa.gov>.

Please contact your OFM budget analyst if you have additional questions about budget assumptions, or Bill Joplin, at GA, for questions related to the SmartBuying initiatives.